

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 OPIC-03
/107 W

-----102660 280742Z /13

R 272115Z JUL 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 5209

C O N F I D E N T I A L QUITO 5033

E.O. 11652: GDS
TAGS: ENRG EINV EC
SUBJ: GULF-CEPE AUDIT NEGOTIATIONS

1. SUMMARY: CEPE GAVE GULF ITS LIST OF PROPOSED AUDITORS
JULY 18. CEPE WILL NOW PRESUMABLY POLL THESE FIRMS PLUS
THOSE PREVIOUSLY NOMINATED BY GULF; AND LATER WITH GULF WILL
PERSONALLY INTERVIEW FIRMS EXPRESSING INTEREST. NO
DISCUSSIONS HAVE BEEN HELD TO DATE REGARDING THE AUDIT
CONTRACT, NOR HAS CEPE PAID GULF ITS DEBTS FOR DOMESTIC
CONSUMPTION CRUDE. ALTHOUGH THE 60A DAY PERIOD FOR SIGNING
THE AUDIT CONTRACT HAS NOW EXPIRED, GULF IS NOT WORRIED
ABOUT THE DELAY, AS CEPE SEEMS TO BE MAKING SOME PROGRESS,
HOWEVER SLOWLY. END SUMMARY.

2. LOCAL GULF MANAGER JACK O'BRIEN INFORMED EMBASSY JULY 25
THAT CEPE HAD GIVEN GULF ON JULY 18 A LIST OF 15 AUDITORS
FOR ITS CONSIDERATION. CEPE HAD COMPILED THE LIST BY
POLLING LOCAL EUROPEAN EMBASSIES. O'BRIEN COMMENTED IT IS
NOT A PARTICULARLY AUSPICIOUS LIST: THREE OF CEPE'S
PROPOSED AUDITORS ARE SUBSIDIARIES OF U.S. "BIG EIGHT"
FIRMS, AND THEREFORE UNACCEPTABLE UNDER THE TERMS OF
THE MAY 27 AGREEMENT, AND SEVEN OF THE AUDITORS ARE
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UNKNOWN TO GULF. GULF HAS ALREADY PRESENTED CEPE WITH
A LIST OF FIVE AUDITORS INTERVIEWED BY GULF OFFICERS
EARLY THIS YEAR. CEPE NOW PLANS TO POLL THE AUDITORS
ON ITS LIST T ASCERTAIN INTEREST AND PRESUMABLY WILL
ALSO BE POLLING GULF'S NOMINEES. BOTH PARTIES WILL
PERSONALLY INTERVIEW FIRMS EXPRESSING INTEREST IN THE
AUDIT.

3. CEPE HAS INFORMED GULF THAT IT WILL BE READY TO DISCUSS GULF'S DRAFT AUDIT CONTRACT "SHORTLY" AND WILL RECOMMEND ONLY "A FEW MINOR CHANGES" IN GULF'S DRAFT.

4. O'BRIEN POINTED OUT THAT, ACCORDING TO THE AGREEMENT SIGNED MAY 27, CEPE HAD 60 DAYS FROM THE DATE OF SIGNATURE TO SIGN THE AUDIT CONTRACT AND TO PAY GULF SOME \$5 MILLION OWED FOR DOMESTIC-CONSUMPTION CRUDE. O'BRIEN SAID HE DOUBTS THIS DEBT WILL BE PAID PROMPTLY, AND HE PLANS TO DO EVERYTHING POSSIBLE TO MAKE CEPE FULFILL ITS OBLIGATIONS. HOWEVER, HE DOES NOT PLAN TO COMPLAIN ABOUT DELAYS IN SIGNING THE AUDIT CONTRACT AS CEPE SEEMS TO BE MAKING SOME PROGRESS, HOWEVER SLOWLY, TOWARD CHOOSING AN AUDITOR.

5. THE GOE HAS ALSO ESTABLISHED AN INTER-INSTITUTIONAL COMMITTEE TO REVIEW TAX OBLIGATIONS, I.E., UNDER-AND OVER-RETENTION. IN THE ONLY MEETING BETWEEN GULF AND THE COMMITTEE, GOE REPS WANTED ONLY TO DISCUSS GULF'S UNDERPAYMENT OF ROYALTIES AND NOT GULF'S OVERPAYMENT OF INCOME TAX. O'BRIEN SAID HE HAS HEARD NOTHING FURTHER FROM THIS COMMITTEE NOR FROM MINISTER OF FINANCE SANTIAGO SEVILLA REGARDING GULF'S TAX OBLIGATIONS.

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Sent Date: 27-Jul-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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Executive Order: GS
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